United Nations DP/2003/24

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
4 June 2003

Original: English

Annual session 2003
6 to 20 June 2003, New York
Item 17 of the provisional agenda
Other matters

Evaluation of the role of UNDP in the PRSP process

Executive summary*

I. Context

1. Between August 2002 and March 2003, the Evaluation Office of UNDP assessed the role of UNDP in the poverty reduction strategy paper (PRSP) process, taking into account in particular the diversity of the organization's poverty reduction activities. The PRSP represents an area of strategic importance to UNDP and a core priority for one of its key global practices – poverty reduction. The evaluation was performed in response to requests by UNDP central units and some of its regional bureaux to assess how UNDP has positioned itself to support the PRSP process in various programme countries. Of particular interest is its role in partnering with the United Nations system, the World Bank and the International Monetary Fund (IMF) in the PRSP process.

2. In December 1999, the Executive Boards of the World Bank and the IMF approved a new policy instrument, the PRSP, designed to serve as a framework document for concessional lending. (Specifically, PRSPs were intended as a basis for external debt relief under the Debt Initiative for Heavily Indebted Poor Country, begun in 1996 and enhanced through more generous terms in 1999.) In 2001, staff of the World Bank and IMF undertook a joint review of the PRSP approach, highlighting the continued validity of its objectives while observing a number of weaknesses in poverty data, analysis and target setting.

3. The declared objective of the PRSP is to promote poverty reduction strategies that are country driven, results oriented, comprehensive, prioritized, partnership based, and framed within a long-term perspective. The evaluation undertaken by UNDP examined the organization's role in the achievement of six key PRSP outcomes: (a) increased country ownership in the PRSP preparation process; (b) broad-based

* The main report is available on the Executive Board secretariat web site at www.undp.org/execbrd.

03-38375 (E) 060603

participation of civil society and the private sector; (c) multi-dimensional nature of poverty and pro-poor growth; (d) coherence between PRSPs and other longer-term national planning instruments; (e) development partnerships; and (f) poverty monitoring capacity at national and local levels. The evaluation also reviewed the role of UNDP as custodian of the resident coordinator system in the PRSP process, emphasizing the links between the PRSPs, the United Nations Development Assistance Framework (UNDAF), and the Millennium Development Goals (MDGs). While it focuses on the role of UNDP, the evaluation could not be achieved without placing it in the overall context of the PRSP. It should be noted that UNDP interventions are only one component of the evolving dynamics of the PRSP process and the role played by different partners.

4. The evaluation team conducted desk reviews and reviewed PRSPs and other relevant documents from several countries. In-depth studies were conducted in a selected number of countries that provided a good mix of typology of countries and regions, namely Azerbaijan, Bolivia, Ethiopia, Mali, Pakistan, the United Republic of Tanzania and Viet Nam. Country reports will be published in volume two of the main report. A brief summary of the main findings of the country reports, however, is included in annex six of the main report. The evaluation was conducted by a team of five members, mainly from the Centre for Development Policy and Research (CDPR) of the School of Oriental and African Studies (SOAS) at the University of London.

5. The engagement of UNDP in the PRSP process has not taken place in a vacuum. Its focus on poverty and the role of poverty reduction strategies in addressing poverty issues have been long standing. The publication of the first *Human Development Report* in 1990 played an important role in bringing poverty and distributional equity back into the development agenda. The organization's mandate in poverty reduction is mirrored in the high demand by programme countries for UNDP support in this area. Programme countries have received the organization's support in the PRSP process since the launch of this initiative, and continue to seek its active engagement in the preparation and implementation of the PRSPs. In 2002, 43 country offices provided support and involvement in the preparation and implementation of the PRSPs and interim PRSPs, up from 36 in 2001, 24 in 2000, and 11 in 1999.

II. Strategic findings

6. A key conclusion of the evaluation is that UNDP should play both a more substantial and substantive role because the PRSP process has the potential to transform policy-making and partner dialogue in positive and unprecedented ways. This conclusion applies even to countries in which the process is facing constraints and challenges. In most countries reviewed, the PRSP process has generated positive changes in the relationship between government and the governed, the development community, and partner governments. The evaluation also concludes that the PRSP process is a dynamic, developing phenomenon in which UNDP should engage more fully as a partner.

7. This higher-order UNDP engagement should be thus seen as an opportunity to make the PRSP – in practice – the action plan for the Millennium Declaration, and to promote changes in the procedures governing the PRSPs so that their pro-poor potential is fully harnessed. Other strategic findings are highlighted below:

(a) *Millennium Development Goals (MDGs) and the PRSP*. That only a few PRSPs have benefited from an analysis of the MDGs seems to indicate that little relationship exists between the two. Country offices are not always consistent in emphasizing that the MDGs constitute the overarching framework for the formulation and implementation of the PRSPs. Only recently have national MDG reports begun to appear. While some MDG reports are excellent, most countries have simply *adopted* the MDGs as opposed to *adapting* them through a national consultative process to make them country specific.

(b) *Poverty analysis and PRSP policy links*. It appears from the country visits that PRSPs do not directly link poverty and growth. Most PRSPs provide a coherent growth strategy, which may not always be pro-poor, however. There is no clear link in the PRSPs between poverty diagnosis and poverty reduction policies. Rather, poverty reduction policies tend to be an 'add-on' to a general growth strategy. Nevertheless, most PRSPs focus on poverty issues, which is a step forward from previous national documents on growth strategies. Poverty and growth are treated separately and links between them are weak. This represents a key entry point for UNDP given its emphasis on the multi-dimensional nature of poverty and its focus on capacity-building.

(c) *UNDP, the United Nations system and the Bretton Woods institutions*. Lack of clarity of the respective roles of the United Nations and the Bretton Woods institutions has hampered the development of a coherent approach by the United Nations country team in engaging in the PRSP process at the country level. Despite this lack of partnership clarity, in several countries the resident representative/resident coordinator has seized opportunities to create conditions under which country teams have been able to make critical contributions to PRSP formulation and implementation. In their joint memo of 5 May 2003, the United Nations Development Group (UNDG) and the World Bank clarify the relationship between the MDGs and the PRSPs, and the respective roles of the United Nations system and the World Bank (available at www.dgo.org/index.cfm).

(d) *UNDP and the United Nations system*. United Nations organizations do not always understand the relationship between the PRSP process and key United Nations coordination mechanisms, such as the common country assessment (CCA) and the United Nations Development Assistance Framework (UNDAF). Although the CCA/UNDAF guidelines prepared by UNDG trace the ideal scenario by which the CCA supports PRSP development and the UNDAF supports its implementation, in reality the timeframes do not coincide. Lack of coordination between United Nations instruments and the PRSP process undermines the greatest strength of the United Nations system – ensuring complementarity among United Nations organizations. Most United Nations organizations have close ties with relevant sectoral ministries and partners. This is particularly important in developing comprehensive poverty monitoring systems.

III. Findings on PRSP outcomes

8. The main purpose of the evaluation was to provide evaluative evidence on the role of UNDP in the PRSP process, focusing specifically on its role in achieving the six key PRSP outcomes mentioned above.

National ownership

9. Progress has been made in fostering government ownership of the PRSP process. In most cases, however, efforts to ensure a country-driven process have made less progress. Typically, one part of the government has had strong ownership of the PRSP process at the expense of others. Progress on involving civil society to broaden national ownership has been limited. Fostering national ownership requires the full participation of different parts of government and civil society organizations, which means overcoming capacity constraints faced by public and private stakeholders.

10. The key change implied in the PRSP process is that donors and lenders should no longer base their support for a country's development strategy on whether or not external agencies agree with it. The PRSP process rejects the approach of donorship, by which donors and lenders sit in the consultative group or donor working groups and express their complaints about national policies and priorities.

11. UNDP has fostered national ownership of the PRSP process by both governments and non-government stakeholders. It has contributed to broadening ownership or advocating it among donor and programme countries. But the organization could do more to promote national debate on development strategies and causes of poverty. Among the organization's strengths are its perceived impartiality and ability to serve as intermediary between governments and communities of donors and lenders. The success stories of the country offices in Ethiopia, the United Republic of Tanzania and Viet Nam in facilitating donor coordination are models of good practice.

Broad-based participation

12. Broad-based participation facilitates efforts to transform government ownership of the PRSP process into national ownership. It involves participation by civil society, including the private sector, in the drafting process. Broad-based participation should continue beyond the writing of PRSP documents and be institutionalized. It should complement, not undermine, the formal institutions of representative government.

13. Fostering broad-based participation is the weakest of the six outcomes for UNDP, although it is one of the organization's natural strengths. UNDP has considerable outreach that can be utilized in the participation process. It can foster ongoing dialogue between government and civil society, including the private sector, on poverty issues. It can support mechanisms to institutionalize dialogue, making it sustainable, and design the participation process. Capacity-building should support ownership, including the development of home-grown pro-poor policies.

14. In Azerbaijan, Bolivia, Ethiopia and Mali, UNDP has made major contributions to the participation and consultation process. The substantial contribution made by UNDP in Bolivia can largely be attributed to two factors: (a) that UNDP treated the process as an end in itself, not as a derivative of the PRSP process; and (b) that Bolivia has a long history of popular mobilization.

Multidimensional nature of poverty and pro-poor growth

15. In some countries, rather than encompass a variety of other country and community-specific aspects, the PRSP treatment of poverty tends to over-emphasize income dimensions. There has been limited progress in deepening and developing country and community-specific analyses and in understanding of poverty. As observed in countries visited, the pro-poor content of the PRSPs increased when UNDP focused on promoting national discussions on the nature and social costs of poverty – via its work on MDG monitoring – and on helping to give a voice to the poor.

Coherence with long-term strategy

16. That the PRSPs and other policy documents concur in emphasizing poverty is not necessarily a positive outcome when the latter have little pro-poor content. This again presents a potentially useful role for UNDP. Furthermore, links between the PRSP process and short and medium-term fiscal instruments are weak. For long-term planning, PRSPs need to be integrated into sectoral and thematic programmes. UNDP can assist in assuring these links, particularly through its role as custodian of the resident coordinator system, since most United Nations organizations have close ties with relevant sectoral ministries and other sectoral partners. A major flaw in many PRSPs is the absence of an explicit explanation of how the PRSP fits into the planning framework.

Development partnerships

17. Partnerships involve UNDP and any organization, government, civil society or private sector that joins with others in its pursuit. UNDP participates in three types of partnerships with governments, donors and lenders, and civil society. The organization's partnerships with government and civil society are its strength, stemming from its long presence and involvement in countries and its traditional commitment to national ownership. The potential benefits of the organization's long history of strong partnerships with governments and civil society have not in all cases been realized.

Poverty monitoring capacity

18. The requisite institutional arrangements and capacities for poverty monitoring to ensure proper PRSP implementation are inadequate. Monitoring the progress of poverty reduction represents the greatest unrealized opportunity for UNDP within the PRSP process. As countries are in the initial stages of monitoring, the scope and nature of the process has yet to be clarified; donors and lenders have yet to assert their claims in the monitoring area. The MDGs and the decade-long work on the HDR give UNDP a clear comparative advantage.

19. There is an ostensible contradiction between the principle of national ownership of PRSPs and the fact that monitoring is principally for the purpose of reporting to external agencies. By fostering national ownership of the MDGs, UNDP would be the logical United Nations organization to underline this anomaly and press for PRSP reports aimed at national audiences, which in turn would be used as progress reports for donors and lenders.

IV. Organizational findings

20. The evaluation recommends that UNDP headquarters ensure greater dissemination of its macroeconomic policy work at the country office level. Effective channels of dissemination to country offices, and especially to resident representatives, would facilitate the policy move upstream. Much of UNDP work can be integrated into the PRSP framework without losing its uniqueness: fostering participation to facilitate country ownership; using national human development reports to aid in identifying the multidimensional nature of poverty; applying policy research from headquarters to guide pro-poor growth; and combining sectoral expertise and capacity-building to help governments to develop effective monitoring mechanisms.

21. In countries where development partnerships are congruous and country offices are committed to the PRSP process, relatively little direction from headquarters is required. When there are substantial tensions among development partners over aspects of the PRSP process, guidance from headquarters, including clear and strong support for country offices, would enhance PRSP engagement and foster a sense of ownership and commitment to the process among UNDP staff.

V. Recommendations

22. The evaluation identifies specific areas in which UNDP can strengthen its capacity to respond to requests from governments of programme countries for assistance or support in the PRSP process.

Strategic

23. *The PRSP as the action plan for the Millennium Declaration.* To ensure the long-term success of the PRSP process, which is essential for poverty reduction, the evaluation recommends that the UNDP and United Nations country teams assume a major role in influencing the PRSP framework and in supporting the process within the reformed framework in a participatory manner that promotes national ownership of the MDGs.

24. *UNDP, the United Nations system and the partnership with the Bretton Woods institutions.* UNDP and the United Nations system should be viewed together as a key partner in providing support for the PRSP process. 'Support' should be interpreted in the broader sense and not merely in financial terms. Delivering on the potential of the PRSPs requires full partner effort – a joint effort of UNDP, the

World Bank, and the IMF in the context of a United Nations team effort led by the resident coordinator.

25. *United Nations system coordination*. While UNDP has institutional and local strengths for engaging in the PRSP process, its core strength lies in the country team. United Nations organizations require guidance from their respective headquarters underlining the importance of full engagement in the PRSP process. UNDP should take the lead in fostering the commitment of United Nations organizations to the key outcomes of the PRSP process, especially country ownership.

Organizational

26. The main recommendation of the evaluation is that UNDP should make the PRSP play a more central role in its country level operations – in those countries that choose to implement this process – and thus a more central role in its policy development and support activities. Fully playing this role depends on the enduring strength of the developing relationship between the PRSP process and the Millennium Declaration framework of international commitment to eliminating poverty in all its aspects. As a corollary of the main recommendation, UNDP should also maximize its potential to provide critical international input to the PRSP process in many countries thanks to its comparative analytical and policy strengths and, in rare cases, the size of its programme.

Developing national capacity to evaluate the PRSPs

27. The success of the PRSP process depends in part on the ability to measure and assess progress credibly in relation to intended outcomes. This requires clear benchmarks and performance criteria that make a credible, value-adding evaluation and performance assessment possible. It is of course understood that each government requires an in-country capacity to monitor the PRSP progress. At the same time, the broader purpose of the PRSP process will not be met without the existence of independent evaluative capacities in civil society. To this end, strengthening the development of evaluation capacity should become an integral part of PRSP assistance provided by external organizations.